

Message Text

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ACTION EB-07

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C O N F I D E N T I A L CARACAS 5078

E.O. 11652: GDS

TAGS: ENRG, EINV, VE

SUBJECT: PETROLEUM REVERSION BILL EXPECTED TO BE APPROVED
BETWEEN JULY 7 AND 17, 1975

SUMMARY. AD PARTY SECRETARY GENERAL CANACHE MATA TOLD EMBASSY DCM AND POLITICAL COUNSELOR MAY 14 THAT HE EXPECTS THE PETROLEUM REVERSION BILL WILL BE PUSHED THROUGH CONGRESS BETWEEN JULY 7 AND 17. PARTY, WHICH HAS VOTES TO CARRY THE BILL, WANTS ISSUE DECIDED BEFORE ITS CONVENTION TO ELECT NATIONAL OFFICERS SCHEDULED FOR THE PERIOD JULY 17 - 20, 1975. CANACHE MATA DOES NOT EXPECT THE MAJOR OPPOSITION COPEI PARTY TO SUPPORT THE BILL. END SUMMARY.

1. DR. CARLOS CANACHE MATA, SECRETARY GENERAL OF THE GOVERNING AD PARTY, TOLD DCM AND POLITICAL COUNSELOR THAT HE EXPECTS THE PETROLEUM REVERSION BILL WILL BE PUSHED THROUGH THE NATIONAL CONGRESS DURING THE PERIOD BETWEEN JULY 7 AND 17, 1975. THIS WILL REQUIRE THAT THE CURRENT SESSION OF CONGRESS, WHICH ENDS ON JULY 6, BE EXTENDED. CANACHE MATA, AND OTHER AD PARTY LEADERS, WANT THE BILL PASSED PRIOR TO THE BEGINNING OF THE FOUR-DAY CONVENTION ON JULY 17 WHEN NEW NATIONAL LEADERS WILL BE CHOSEN BY THE PARTY

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CANACHE MATA ACKNOWLEDGED THAT THERE WILL BE NO CONSENSUS ON THE

CONTROVERSIAL ARTICLE FIVE, WHICH PERMITS THE GOV TO MAINTAIN MIXED COMPANIES OR ASSOCIATION AGREEMENTS WITH THE PRIVATE OIL COMPANIES AFTER NATIONALIZATION. COPEI AND ALL OTHER OPPOSITION PARTIES HAVE NOW TAKEN A PUBLIC STAND AGAINST ARTICLE FIVE. CANACHE MATA INDICATED THAT THE AD PARTY IS PREPARED TO GO WITH THE ARTICLE WITHOUT OPPOSITION SUPPORT, AND HAS THE VOTES TO PASS THE BILL.

2. ACTING PRESIDENT OF THE CHAMBER OF DEPUTIES' MINES AND HYDROCARBONS COMMISSION, CELESTINO ARMAS, SEPARATELY TOLD THE PRESS ON MAY 12 THAT HIS COMMISSION WILL BEGIN STUDYING A WRITTEN REPORT ON THE NATIONALIZATION BILL THIS WEEK. PUBLIC TESTIMONY ON THE DRAFT BILL BEFORE THE CHAMBER COMMISSION ENDED LAST WEEK, AND ARMAS BEGAN DRAFTING THE COMMISSION REPORT MAY 10. HE STATED THAT THE REPORT AND DRAFT PETROLEUM BILL WILL BE GIVEN TO THE PRESIDENT OF THE CHAMBER OF DEPUTIES ON MAY 19 AND PREDICTED THAT THE BILL WILL BE APPROVED BY THE CHAMBER BY JULY 5, 1975. HOWEVER, HE ALSO EXPECTS THE CONGRESSIONAL SESSION TO BE EXTENDED IN ORDER TO COMPLETE ACTION ON THE BILL.

3. ARMAS INDICATED THAT SOME FURTHER MODIFICATIONS OF ARTICLES 5, 21, AND 23 WILL BE MADE BY HIS COMMISSION PRIOR TO PASSING THE DRAFT BILL TO THE CHAMBER OF DEPUTIES' PRESIDENT. HE WAS VAGUE ABOUT MODIFICATION OF ARTICLE 5, STATING ONLY THAT IT WOULD BE DONE AFTER CONSULTATION AT A "HIGH POLITICAL LEVEL" AND WOULD BE BASED ON PROPOSALS FROM THE PRO-VENEZUELA ORGANIZATION AND THE URD PARTY. BOTH OF THESE GROUPS HAD URGED THAT THE AREAS OF ASSOCIATION AGREEMENTS OR MIXED COMPANIES WITH THE PRIVATE OIL COMPANIES AFTER NATIONALIZATION BE CLEARLY DELINEATED IN THE BILL, RATHER THAN PERMITTING THE GOV CARTE BLANCHE AUTHORITY TO DO AS IT PLEASES. ARMAS ADDED, HOWEVER, THAT THERE IS NO CONSENSUS AMONG THE POLITICAL PARTIES TO INCLUDE ARTICLE FIVE IN THE BILL. THEN HE IMPLIED THAT IF HIS COMMISSION'S MODIFICATIONS WERE NOT ACCEPTABLE TO THE CHAMBER, THE BILL WOULD REVERT TO THE ADMINISTRATION VERSION FOR DEBATE.

4. ARTICLE 21 MODIFICATIONS ADDED BY THE COMMISSION ARE INTENDED MORE PRECISELY TO DEFINE THE GEOGRAPHICAL AREAS IN WHICH NATIONALIZED COMPANIES ESTABLISHED IN THE BILL WILL BE PERMITTED TO OPERATE. ARTICLE 23 MODIFICATIONS WILL BE INTENDED TO DEFINE MORE PRECISELY WORKERS' RIGHTS AND BENEFITS. CANACHE MATA, CONFIDENTIAL

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PRIOR TO HIS MEETING WITH THE DCM, GAVE AN EXCLUSIVE NEWSPAPER INTERVIEW IN WHICH HE SPELLED OUT THE AD PARTY POSITION ON SOME TECHNICAL ASPECTS OF NATIONALIZATION. THE INTERVIEW WILL BE REPORTED SEPARATELY.

5. ON MAY 13, GENERAL RAFAEL ALFONZO, WHO IS EXPECTED TO HEAD THE NATIONAL OIL HOLDING COMPANY, CONFIRMED TO THE PETROLEUM ATTACHE THAT HE EXPECTS THIS SESSION OF CONGRESS TO EXTEND BEYOND

ITS REGULAR CLOSING DATE IN ORDER TO FINISH DEBATE ON THE BILL. AS
AN ASIDE, HE ADDED THAT HE WILL SPEND ALL OF NEXT WEEK IN NEW YORK.
WHILE HE LEFT UNSTATED THE PURPOSE OF HIS TRIP, IT CAN BE ASSUMED
THAT HE WILL BE MEETING WITH EXXON IN A CONTINUATION OF THE GOV
DISCUSSIONS WITH THE COMPANY REGARDING ITS AFTER-NATIONALIZATION
STATUS.

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